International Business Environments and Operations, 13/e

Part Two
Comparative Environmental Frameworks



Chapter Five

Globalization and Society

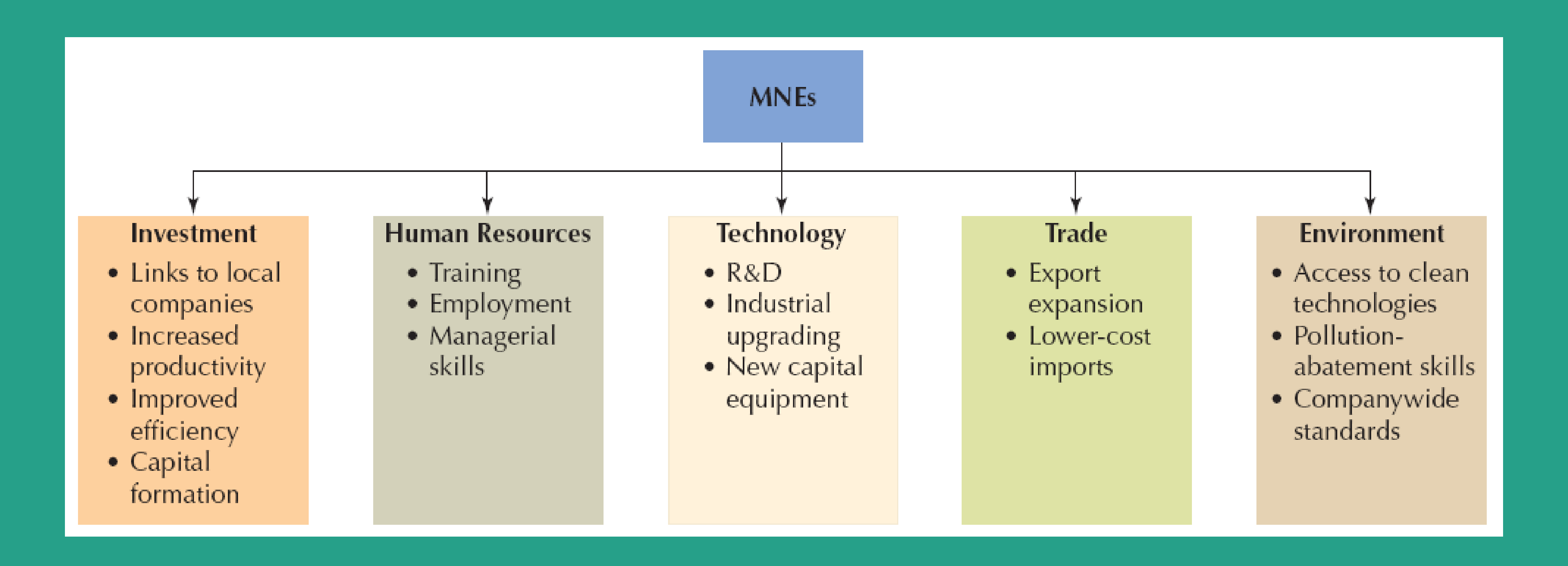
Chapter Objectives

- To identify problems in evaluating the activities of multinational enterprises (MNEs)
- To evaluate the major economic effects of MNEs on home and host countries
- To understand the foundations of responsible corporate behavior in the international sphere
- To discuss some key issues in the social activities and consequences of globalized business
- To examine corporate responses to globalization

Evaluating the Impact of FDI

- FDI is Foreign Direct Investment
- The large size of some MNEs causes concern for some countries
- MNEs and countries need to understand the impact of FDI in home and host countries

What MNEs Have To Offer



Considering the Logic of FDI

- Need to consider relationship between those who make foreign investments (MNEs) and possible effects on receiving countries
- Areas to consider:
  - Stakeholder trade-offs
  - Cause-and-effect relationships
  - Individual and aggregate effects

The Economic Impact of the MNE

- Balance-of-Payments effects:
  - Net import effect
  - Net capital flow
- Growth and Employment effects:
  - Home-country losses
  - Host-country gains
  - Host-country losses

Why Companies Care About Ethical Behavior

- Instrumental in achieving two objectives:
  - To develop competitive advantage
  - To avoid being perceived as irresponsible

The Cultural Foundations of Ethical Behavior

- Relativism vs. Normativism: do truths depend on the values of the groups or are there universal standards
- Negotiating between evils

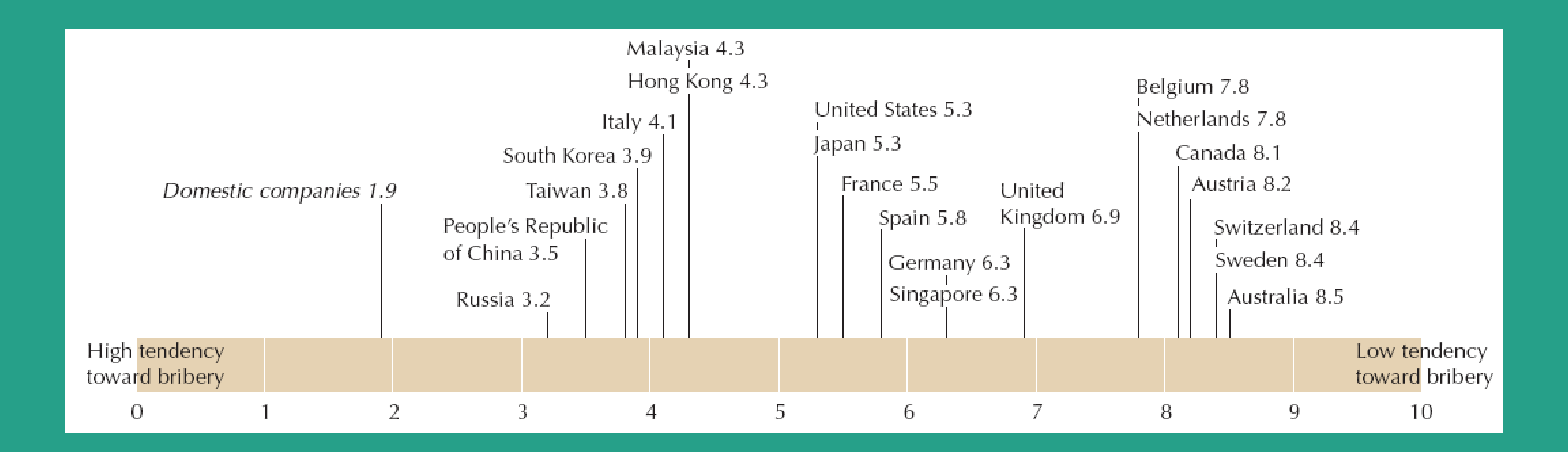
The Legal Foundations of Ethical Behavior

- Legal justification for ethical behavior may not be sufficient because not everything that is unethical is illegal.
- The law is a good basis because it embodies local cultural values.
- As countries tackle similar ethical issues, laws will become more similar.

Ethics and Bribery

- Bribes are payments or promises to pay cash or anything of value
- Bribes are used to get government contracts or to get officials to do what they should be doing anyway
- Problems with bribery:
  - Affects performance of company & country
  - Erodes government authority
  - Damages reputations when disclosed
  - Increases cost of doing business

Where Bribes Are (and Are Not) Business as Usual



What's Being Done About Corruption?

- Cross-National Accords: The OECD, the ICC, and the UN
- The U.S. Foreign Corrupt Properties Act
- Industry Initiatives
- Relativism, the Rule of Law, and Responsibility

Ethics and the Environment

- Sustainability
- Global Warming and The Kyoto Protocol
  - National and Regional Initiatives
  - Company-Specific Initiatives

Future: How to See the Trees in the Rain Forest

- The Amazon rain forest accounts for 1/3 of the world's remaining tropical forest
- Kyoto Protocol proposes reforestation to reduce greenhouse emissions
- Major Challenge: protect global environment while preserving Brazil's sovereignty over resources

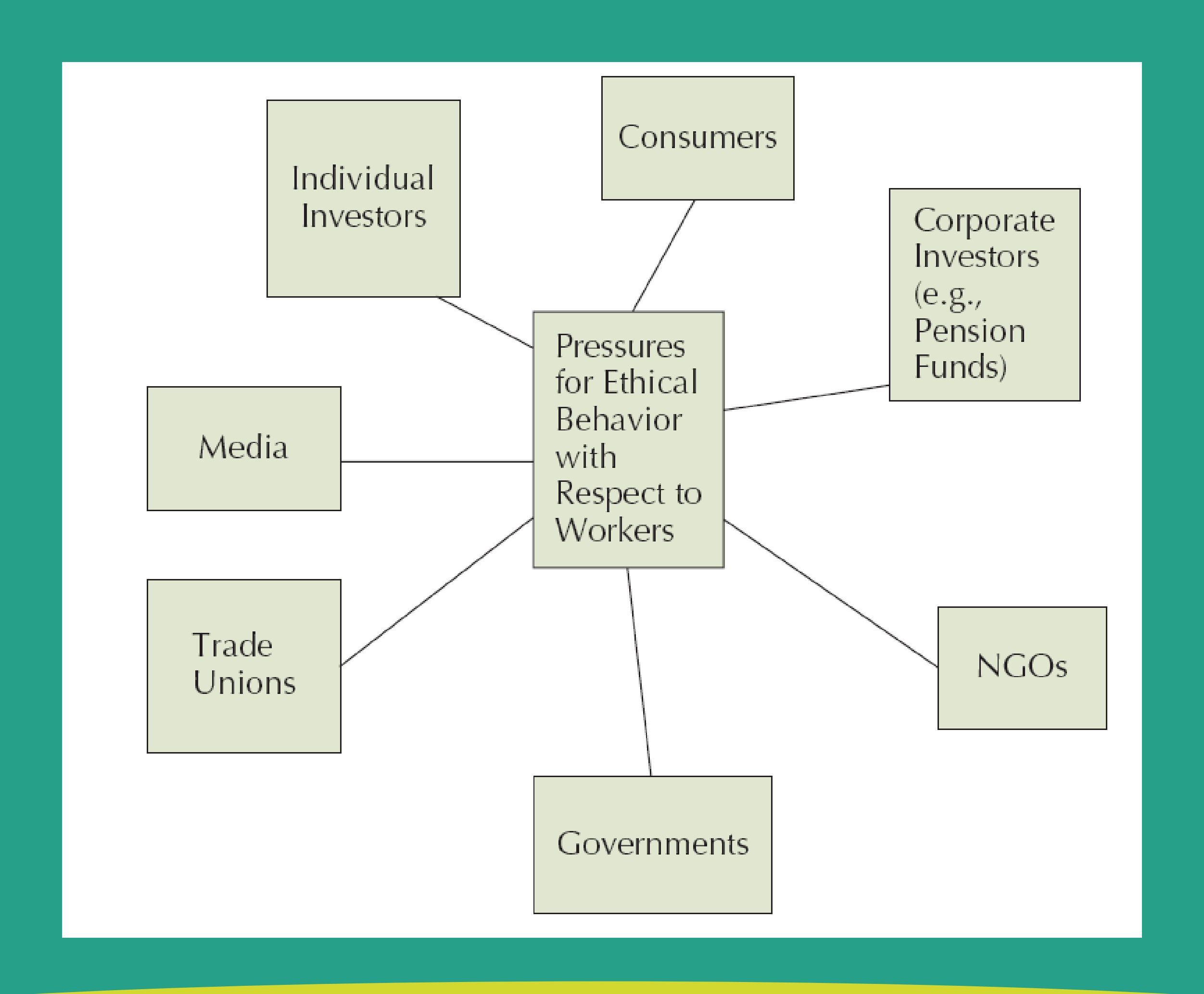
Ethical Dilemmas and the Pharmaceutical Industry

- Tiered pricing and other price-related issues
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- R&D and the Bottom Line

Ethical Dimensions of Labor Conditions

- Ethical Trading Initiative
- The Problem of Child Labor
- What MNEs Can and Can't Do

Sources of Worker-Related Pressures in the Global Supply Chain



Corporate Codes of Ethics

- Motivations for Corporate Responsibility
- Developing a Good Code of Conduct